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FISCAL IMPACT STATEMENT

LS 7371 **NOTE PREPARED:** Jan 12, 2013
BILL NUMBER: HB 1429 **BILL AMENDED:**

SUBJECT: Certified Technology Parks.

FIRST AUTHOR: Rep. Ubelhor **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: The bill allows the Indiana Economic Development Corporation (IEDC) and a redevelopment commission to agree to exclude Local Option Income Taxes (LOIT) from the income tax capture amount for the redevelopment commission's Certified Technology Park (CTP).

The bill provides that if two or more redevelopment commissions agree to undertake joint economic development projects in their respective CTPs, a participating redevelopment commission may assign part of the available sales and income tax capture limit for the redevelopment commission's CTP to another cooperating CTP. It provides that the sales and income tax capture limit specified in statute for a CTP may not be reduced by rule or agreement, except for an assignment agreement between cooperating redevelopment commissions.

This bill appropriates a total of $6 M to the Daviess County, Greene County, and Martin County redevelopment commissions for the development of infrastructure at the Westgate@Crane technology park

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Appropriations* - The bill appropriates from the state General Fund $2 M each to the redevelopment commissions in Daviess County, Greene County, and Martin County. The appropriations must be used for infrastructure development at the Westgate@Crane technology park. The appropriations are for the 2013-2015 biennium.

Department of State Revenue (DOR), Indiana Economic Development Corporation (IEDC), and Treasurer *of State:* These agencies currently administer different aspects of CTPs. The services they provide range from CTP authorization, revenue capture computations, and fund distribution. The agencies all have prior expertise in working with CTPs, and their current level of staff and resources should be sufficient to implement this bill.

Explanation of State Revenues: *Summary* - This bill allows a CTP to continue to capture incremental tax revenue beyond it's $5 M lifetime capture limit if another CTP assigns a portion of its unearned capture limit to it. The bill may result in a near term reduction in state revenue as CTPs that have reached their lifetime limit start capturing additional incremental tax revenue assigned from another CTP. Four of the 20 active CTPs have achieved the $5 M lifetime revenue capture limit as of FY 2011. If those 4 CTPs enter into an assignment agreement and begin to capture incremental tax revenue again, it may reduce state revenue by an estimated $6.57 M a year beginning in FY 2014. The state portion of the incremental tax revenue captured by the CTPs is from Sales and Use Tax and state Income Tax. The estimated distribution by tax type and corresponding fund allocation is reported in the table below.

Fund	Sales & Use Tax	State Income Tax	Total
State General Fund	$805,380	$5,763,600	$6,568,980
Industrial Rail Service Fund	$230	-	$230
Commuter Rail Service Fund	$990	-	$990
Total	**$806,600**	**$5,763,600**	**$6,570,200**

Additional Information - The CTP program was established to support the attraction and growth of high-technology businesses, promote technology transfer opportunities, and stimulate the creation of jobs in these industries. The IEDC designates an area to be a CTP based on a proposal submitted by a local redevelopment commission or governing body. The proposal must show predicted business activity, job creation, and a commitment of services and support by (1) an institution of higher education; (2) a private, research-based institute; or (3) a military research and development or testing facility on an active military installation.

The designation of a CTP allows a local redevelopment commission to capture incremental revenue from Sales & Use Tax , state Income Tax, and local option income taxes (LOIT) generated by businesses and employees in the CTP. While there is no annual limit on the amount of tax revenue a CTP can capture, there is a lifetime capture limit of $5 M. This bill establishes a procedure for a CTP to transfer a portion of its unearned capture limit to another CTP. This would allow a CTP to capture revenue in excess of $5 M that is assigned by another CTP. However, the bill states that the amount assigned by one CTP to another CTP must be counted against the assignor's lifetime cap of $5 M. So, the total revenue that all CTPs can potentially capture remains the same.

There are 20 active CTPs and 3 new CTPs scheduled to begin operating, so the total revenue that all active and potential CTPs could capture is $115 M. The bill does not change the total combined CTP lifetime revenue limit. By allowing amounts remaining under the capture limits of some CTPs to be reallocated to other CTPs, this bill could accelerate the time it takes to reach the combined capture limit of $115 M.

Explanation of Local Expenditures: Local redevelopment organizations may incur additional expenses to maintain the funds and the conditions of any new agreement they make with other redevelopment organizations.

They will likely have sufficient resources to oversee these agreements.

Explanation of Local Revenues: *CTP Revenue Capture:* The fiscal impact on LOIT revenue depends on whether or not a local redevelopment commission wants LOIT included in their revenue capture. This bill allows the IEDC and a redevelopment commission to exclude LOIT revenue from CTP capture. In FY 2010 and FY 2011, $3.37 M in LOIT revenue was captured among 11 CTPs. The LOIT portion comprises 21.1% of all CTP revenue. If a redevelopment commission decides to exclude LOIT revenue it will increase the revenue received by those counties.

However, this bill could also result in a reduction of LOIT revenue in the counties where certain CTPs are located. Four CTPs have stopped capturing LOIT revenue because they have reached their total lifetime limit of $5 M. Those CTPS are Evansville, Indianapolis (IU), Richmond, and West Lafayette. If those CTPs are allowed to capture additional LOIT revenue, the counties where those CTPs reside could begin losing between an estimated $198,700 to $1 M a year beginning in FY 2014. This will continue until the new revenue capture limit is reached.

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Appropriations - See Explanation of State Expenditures.

State Agencies Affected: Department of State Revenue; Indiana Economic Development Corporation; Treasurer of the State.

Local Agencies Affected: Local redevelopment commissions, counties with Local Option Income Taxes, and local units that receive Sales Tax revenue.

Information Sources: LSA Income Tax Databases; LSA Fiscal Brief, *Indiana's Geographically Targeted Development Programs: Certified Technology Parks,* September 2010 & 2012.

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